

ANNUAL FINANCIAL STATEMENTS

**RICHMOND
MUNICIPALITY**

30 JUNE 2008

RICHMOND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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**RICHMOND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

GENERAL INFORMATION

MEMBERS OF COUNCIL

Councillor
SJ Mchunu
TC Madonda
BM Mngadi
ZS Msomi
R Naidoo (to May 2008)
B A Mchunu (from June 2008)
DR Phoswa
PL Shange
MJ Shelembe
WT Tshelembe
MP Vesi

MAYOR: Councillor B Ngcongo
SPEAKER: Councillor DR A Ragavaloo
DEPUTY MAYOR: BE Dlamini

GRADING OF LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor-General

BANKERS

First National Bank

REGISTERED OFFICE

Memorial Hall	Private Bag x1028
57 Shepstone Street	Richmond
RICHMOND	3780
3780	
Telephone	033 212 2155
Fax	033 212 2102

MUNICIPAL MANAGER

Mr W C Donnelly (acting)

CHIEF FINANCIAL OFFICER

Mr W C Donnelly

**RICHMOND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements as set out on pages 3 to 27 were approved by the Acting Municipal Manager on the 29 August 2008 and presented to and approved by Council on 2008.

**MR WC DONNELLY
CHIEF FINANCIAL OFFICER / ACTING MUNICIPAL MANAGER
DATE**

RICHMOND MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

FOREWORD BY THE MAYOR



The 2007/2008 financial statements sets out the financial results for the past financial year.

The past financial year represented my second full year in office as the Mayor of Richmond. It was a challenging and enlightening experience. It involved implementing and complying with the municipal finance management act as well as preparing for the implementation of the Municipal Property Rates Act.

A satisfactory accumulated surplus was achieved and expenditure was contained within the approved budget. Implementation of capital projects remains a challenge due to limited funds. We have however endeavored to implement the Integrated Development Plan within available funds.

In conclusion, I would like to express my appreciation to all Councillors, the Municipal Manager, Departmental Heads, all other personnel as well as all the citizens of Richmond for their support, cooperation and hard work during the past year.

Councillor B Ngcongco
MAYOR OF RICHMOND

**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL OF RICHMOND
MUNICIPALITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

**RICHMOND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

CHIEF FINANCIAL OFFICER'S REPORT

1 OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E.

1.1 Overall operating results

Income:	R	%
Actual 2007	23 713 147	
Actual 2008	28 846 209	
Variance (%)		21.65%
Budget 2008	26 186 730	
Actual 2008	28 846 209	
Variance (%)		10.16%
Expenditure:		
Actual 2007	20 889 754	
Actual 2008	25 939 553	
Variance (%)		24.17%
Budget 2008	26 161 726	
Actual 2008	25 939 553	
Variance (%)		-0.85%

1.2 Rate and General Services

Income:	R	%
Actual 2007	23 713 147	
Actual 2008	28 846 209	
Variance (%)		21.65%
Budget 2008	26 186 730	
Actual 2008	28 846 209	
Variance (%)		10.16%
Expenditure:		
Actual 2007	20 889 754	
Actual 2008	25 939 553	
Variance (%)		24.17%
Budget 2008	26 161 726	
Actual 2008	25 939 553	
Variance (%)		-0.85%

The increase in income is mostly as a result of the increase in grants received. There was also a large increase in the interest on investments as well as other income. Considerable savings were achieved on payroll, due to vacancies. The overexpenditure of 2.96% is due to the municipality receiving a portion of its 2008/2009 MIG allocation during 2007/2008.

**RICHMOND MUNICIPALITY
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CHIEF FINANCIAL OFFICER'S REPORT (continued)

2 CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R 12,606,795
The bulk of this expenditure consist of the Housing development of R 5,085,022, MIG expenditure of 3274528 and an electrification project of R 3,282,467.

Resources used to finance the fixed assets were as follows:

	2008 ACTUAL R	2008 BUDGET R	2007 ACTUAL R
Capital Development Fund	630 390	739 500	768 068
Contributions from current income	0	0	40 892
Government Grants	8 678 493	9 640 901	3 203 294
MIG	3 274 528	3 998 249	4 204 815
Public Improvement Fund	162 784	0	44 812
Lotto Distribution Fund	0	0	16 329
External Loans	0	0	0
	<u>12 746 195</u>	<u>14 378 650</u>	<u>8 278 210</u>

Refer to appendix C for further analysis of fixed assets.

3 EXTERNAL LOANS, INVESTMENTS AND CASH

Investments amounted to R 25,583,954 30 June 2008 (R 20,606,130 in 2007).

Cash on hand amounted to R 264,966 at 30 June 2008 (R 14,500 in 2007).

Bank overdraft amounted to nil at 30 June 2008 (Nil in 2007).

The Councils cheque account is linked to the call account and is managed by the CFO.

The increase in the investments is due to the increase in grant funding.

4 FUNDS AND RESERVES

More information on funds and reserves are disclosed in Appendix A and notes (1 to 2) to the financial statements.

5 POST BALANCE SHEET EVENTS

Subsequent to 30 June 2008 a dispute between Richmond Municipality and Adv TJ Nene (ex municipal manager) existed at year end. The dispute was settled in September 2008.

6 APPRECIATION

My sincere thanks to the Council for their support during the year in the management of the financial function, and to the Treasury staff for their dedication and hard work that made these results possible.

Mr W C Donnelly
Chief Financial Officer

Date

ACCOUNTING POLICIES

1. Basis of presentation

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (1997) and the Published Financial Statements for Local Authorities (2nd edition 1996, as amended).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note three hereunder. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis:
 - Income is accrued when measurable and available for finance in the future. Certain direct income is accounted for when received, such as traffic fines.
 - Expenditure is accrued in the year it is incurred.
- 1.4 All amounts disclosed are rounded off to the nearest Rand, and actual amounts were entered for this purpose.

2. Consolidation

The balance sheet includes the Rate and General Services, Trading services and other different funds, reserves and provisions. All inter departmental charges are set-off against each other.

3. Fixed Assets

- 3.1 Fixed Assets are stated:
 - at historical cost; or
 - at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation.
 - while they are in existence and fit for use.

**RICHMOND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

ACCOUNTING POLICIES (continued)

3.2 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various internal funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

3.3 All net proceeds from the sale of fixed property are credited to the Public Improvement Fund. Net proceeds from the sale of all other assets are credited to the Capital Development Fund.

3.4 Capital assets are financed from different sources, including external loans, operating income, contributions and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4. Inventory

Inventory is valued at cost, determined on the weighted average basis. Stock is accounted for on a monthly basis in the ledger, and a continuous stock system is operated for stationery.

5. Funds and Reserves

5.1 Capital Development Fund

The Local Authorities Ordinance No. 25 of 1974, requires a minimum contribution of 3,0 percent of Revenue income of a local authority for the financial year.

5.2 Loan Redemption Fund

This fund was discontinued, as Council has no Stock loans outstanding. Internal loans are repaid in relation to the life of the asset. Redemption on external loans is paid half yearly on an annuity basis, and the period of the loans were originally equated to the life of the assets financed.

**RICHMOND MUNICIPALITY
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ACCOUNTING POLICIES (continued)

5.3 Public Improvement Fund

The Local Authorities Ordinance no.25 of 1974, stipulates that this fund be maintained in respect of all property belonging to the Council, which is not utilised for a specific purpose relating to the provision of services. Fifty percent of all interest earned by this fund is credited to Rate and General Services revenue account.

5.4 Reserves

5.4.1 Loss of Rentals Reserve

An amount equal to one months total Rental receivable was contributed to this reserve on an annual basis. Contributions were discontinued.

5.4.2 Community Facilities Reserve

An amount equal to 1% (one percent) of the annual rental was contributed to this Reserve on an annual basis. Contributions were discontinued.

5.5 Cemetery Trust Fund

Burial levies collected during the year accrue to the credit of this fund. Interest earned on the investments of this Fund is credited to the Revenue account.

5.6 Provisions

Provision is made for the Leave accumulated at the monetary value. The Provision for Bad Debts was adjusted to reflect the non-payment levels of the various categories of Debtors as a percentage of outstanding balances. The Audit Provision was retained at the expected cost of the External Audit.

5.7 Housing Operating Account

This account is operated in terms of the Housing Act, Act No. 107,1997.

6. Surpluses and Deficits

Any surplus or deficit arising from the operation of the various services are retained in those services for their own use.

**RICHMOND MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

ACCOUNTING POLICIES (continued)

7. Treatment of administration and other overhead expenses

The control on internal support services are transferred to the different services in accordance with the estimated time spent and cost of facilities used.

8. Leased Assets

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

9. Investments

Investments are shown at cost, and are invested as per the Local Authorities Ordinance No.25 of 1974.

10. Income Recognition

10.1 Assessment rates

The Council applies a different rating system. In terms of this system the assessment rates are levied on the Land value of properties, and rebates are granted according to the use to which a particular property is put.

10.3 Other services

Economic services like Refuse are charged out on a monthly basis.

11. Retirement Benefits

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2001.

RICHMOND MUNICIPALITY

BALANCE SHEET AS AT 30 JUNE 2008

	Note	2008 R	2007 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES			
Accumulated funds	1	8 363 540 <u>8 363 540</u>	6 599 382 <u>6 599 382</u>
ACCUMULATED SURPLUS			
	2	13 364 572 <u>21 728 112</u>	8 784 160 <u>15 383 542</u>
HOUSING OPERATING ACCOUNT	3	205 419	161 641
TRUST FUNDS	4	318 832	284 469
LONG TERM LIABILITIES	28	146 968	
DEPOSITS	5	0 <u>22 399 330</u>	7 466 <u>15 837 118</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	5 999 668	5 804 944
LONG TERM DEBTORS	7	4 671 <u>6 004 339</u>	4 671 <u>5 809 615</u>
NET CURRENT ASSETS/LIABILITIES		16 394 992	10 027 503
CURRENT ASSETS		31 174 874	27 408 101
Inventory	8	212 784	115 534
Short-term Investments	9	25 583 954	20 606 130
Debtors	10	5 113 171	6 671 937
Cash on Hand and at Bank		264 966	14 500
CURRENT LIABILITIES		14 779 886	17 380 598
Provisions	11	799 968	1 480 470
Deposits	5	14 184	0
Creditors	12	13 965 734	15 900 128
Bank Overdraft		0	0
		<u>22 399 330</u>	<u>15 837 118</u>

RICHMOND MUNICIPALITY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		Note	2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)	2008 Budget Surplus/ (Deficit)
23 713 146	20 889 754	2 823 392	RATE AND GENERAL SERVICES		28 846 209	25 939 553	2 906 656	25 004
23 706 129	20 515 054	3 191 075	Community Services		28 833 522	25 489 583	3 343 939	538 644
7 016	374 700	-367 683	Subsidised Services		12 687	449 971	-437 283	-513 640
<u>23 713 146</u>	<u>20 889 754</u>	2 823 392	TOTAL		<u>28 846 209</u>	<u>25 939 553</u>	<u>2 906 656</u>	<u>25 004</u>
		-77 381	Appropriations for the year	2			1 673 756	
		<u>2 746 011</u>	Net surplus for the year				4 580 412	
		6 038 149	Accumulated surplus at the beginning of the year				8 784 160	
		<u>8 784 160</u>	ACCUMULATED SURPLUS AT THE END OF THE YEAR	2			<u>13 364 572</u>	

RICHMOND MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH RETAINED FROM OPERATING ACTIVITIES:		9 599 403	13 454 505
Cash generated by operations	18	4 117 265	2 185 715
Investment income		1 934 291	1 284 844
(Increase)/decrease in working capital	19	-466 158	3 354 018
		5 585 398	6 824 578
Less: External interest paid		0	0
Cash available from operations		5 585 398	6 824 578
Cash contributions from the state		2 674 606	6 614 498
Cash contributions from the public		0	10 351
Net proceeds on disposal of fixed assets		1 339 400	5 079
CASH RECEIVED IN INVESTING ACTIVITIES			
Investment in fixed assets		-12 583 411	-8 278 210
NET CASH FLOW		<u>-2 984 008</u>	<u>5 176 296</u>
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase/(decrease) in long-term loans	20	0	0
(Increase)/decrease in cash investments	21	-2 733 543	-5 134 270
(Increase)/decrease in cash on hand	22	-250 466	-42 027
Net cash (generated)/utilised		<u>-2 984 008</u>	<u>-5 176 296</u>

RICHMOND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
1 ACCUMULATED FUNDS		
Capital Development Fund	4 498 658	3 934 501
Public Improvement Fund	3 864 882	2 664 881
(Refer to appendix A for more detail)	<u>8 363 540</u>	<u>6 599 382</u>
2 ACCUMULATED SURPLUS		
Appropriation account		
Accumulated surplus at the beginning of the year	8 784 160	6 038 149
Operating surplus/(deficit) for the year	2 906 656	2 823 392
Prior year adjustments 2.1	1 673 756	-77 381
	<u>13 364 572</u>	<u>8 784 160</u>
Operating account		
Capital expenditure	0	40 892
Contributions to:		
Provisions (Appendix A)	521 013	678 453
Reserves (Appendix A)		
Capital Development Fund	319 087	315 612
	<u>840 100</u>	<u>1 034 957</u>
2.1 Analysis of prior year adjustments		
PIF Contributions	0	-315 612
Stale cheques	23 399	42 414
Rates and debtors	-98 316	-107
Vat audit/Review	0	174 397
Prior year expenditure and income	-451 572	-3 129
Adjustment budget	0	-308 970
Reduction of job evaluation provision	612 689	337 576
Year end stationery stock take	-1 084	-2 285
Reduction of performance bonus provision	197 924	0
District municipality	1 390 716	0
Cylinder deposits	0	-1 665
	<u>1 673 756</u>	<u>-77 381</u>
3 HOUSING OPERATING ACCOUNT		
Proceeds sale of assets	82 659	55 710
Loss of rental	33 125	33 125
Community facilities	57 522	57 522
Interest on investments	16 827	0
Appropriation account	15 285	15 285
(Refer to appendix A for more detail)	<u>205 419</u>	<u>161 641</u>
4 TRUST FUNDS		
Cemetery trust fund	318 832	284 469
(Refer to appendix A for more detail)	<u>318 832</u>	<u>284 469</u>
5 DEPOSITS		
Other	14 184	7 466
	<u>14 184</u>	<u>7 466</u>
6 FIXED ASSETS		
Fixed assets at the beginning of the year	78 833 756	70 570 547
Capital expenditure during the year	12 746 195	8 278 210
Less: Assets written off, transferred or disposed of during the year	-173 243	-15 000
Total fixed assets	<u>91 406 708</u>	<u>78 833 756</u>
Less: Loans redeemed and other capital receipts	-85 407 040	-73 028 812
Net fixed assets	<u>5 999 668</u>	<u>5 804 944</u>
(Refer to Appendix C and section 2 of the Chief Financial Officer's Report for more details on fixed assets)		

RICHMOND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

	2008 R	2007 R
7 LONG TERM DEBTORS		
Housing loans	4 671	4 671
Less: Short term portion	0	0
	<u>4 671</u>	<u>4 671</u>
8 INVENTORY		
Stationery stock on hand	150 560	68 344
Fuel stock on hand	62 224	47 189
	<u>212 784</u>	<u>115 534</u>
9 INVESTMENTS		
Unlisted		
Short and medium term deposits	25 583 954	20 606 130
	<u>25 583 954</u>	<u>20 606 130</u>
Average gross rate of return on investments	7.56%	6.74%
Section 125 of the Local Authorities Ordinance, No 25 of 1974 requires local authorities to invest funds, which are not immediately required, with prescribed institutions. (Refer to note 26.8 for details of bank accounts held)		
10 DEBTORS		
Current debtors (rates)	1 783 838	1 655 736
Current debtors (consumers)	6 834	39 848
	1 790 672	1 695 584
Less: provision for bad debts	-267 832	-287 214
	<u>1 522 841</u>	<u>1 408 370</u>
Current debtors (other)	1 566 710	1 960 327
District municipality	1 664 213	2 724 019
Short term portion of long term debtors	0	0
Grants receivable	0	0
Value added tax	359 407	579 221
	<u>3 590 330</u>	<u>5 263 568</u>
	<u>5 113 171</u>	<u>6 671 937</u>
Debtors days	70 days	204 days
11 PROVISIONS		
Leave payments	492 576	567 410
Audit fee	307 392	226 172
Job evaluations	0	612 689
Bursary Fund	0	10 000
Performance bonuses	0	64 200
(Refer to Appendix A for more details)	<u>799 968</u>	<u>1 480 470</u>

RICHMOND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

	2008	2007
	R	R
12 CREDITORS		
Trade creditors	830 845	627 420
Rates and consumer debtors	0	53 554
District municipality-ring fencing of balance sheet	0	930 454
District municipality	253 017	0
Unspent grants	12 845 123	14 224 447
Value added tax	36 749	64 252
	<u>13 965 734</u>	<u>15 900 128</u>

13 ASSESSMENT RATES

	Site Valuations at 1 July 2007 R	Actual Income 2008 R	Actual Income 2007 R
Rateable Land	8,603,0000	<u>3 144 003</u>	<u>3 026 627</u>

Valuations on land are performed every five years.
The last valuation came into effect on 1 July 2000.
The basic rate was 45.02c per rand on land only.
Rebates were granted as follows:-
Residential - 30%
The state received a rebate of 20% on their properties.
Pensioners were granted rebates according to a standard formula.

14 AUDITORS REMUNERATION

Audit fees	<u>233 780</u>	<u>175 828</u>
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15 COUNCILLORS REMUNERATION

Mayors allowance	415 674	386 674
Deputy Mayors allowance	182 896	170 136
Councillors allowances(incl Speaker,Exco and Benefits)	<u>1 476 384</u>	<u>1 361 834</u>
	<u>2 074 954</u>	<u>1 918 644</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

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RICHMOND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

	2008	2007
	R	R
Remuneration of the Strategic Manager Technical Services (Acting]		
Acting Allowance	157 264	106 452
	<u>157 264</u>	<u>106 452</u>

17 FINANCE TRANSACTIONS

(a) Total external interest earned or paid		
Interest earned	1 934 291	1 284 844
Net external interest earned/(paid)	<u>1 934 291</u>	<u>1 284 844</u>
 (b) Capital charges debited to operating account:		
Interest: Internal	312 289	274 641
Redemption: Internal	459 050	393 119
	<u>771 338</u>	<u>667 760</u>

RICHMOND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

	2008 R	2007 R
18 CASH GENERATED BY OPERATIONS		
(Deficit)/surplus for the year	2 906 656	2 823 392
Adjustment in respect of : Previous years' operating expenses	1 673 756	-77 381
Appropriations against income	706 376	719 345
. Capital Development Fund	319 087	0
. Provisions and Reserves	387 289	678 453
. Fixed Assets	0	40 892
See Appendix A for analysis of Provisions and Reserves		
Capital charges		
. Interest paid:		
-to internal funds	312 289	274 641
-on external funds	0	0
. Redemption:		
-of internal advances	459 050	393 119
-of external loans	0	0
Investment income (operating account) external	-1 812 874	-1 158 485
internal	-156 144	-137 320
Non-operating income:		
.Statutory and Trust Funds	1 361 505	55 684
.Housing Operating Account	26 949	315
Non-operating expenditure		
.Statutory and Trust Funds	-139 400	-1 500
.Provisions and Reserves	-1 220 898	-706 095
.Housing Operating Account		
	<u>4 117 265</u>	<u>2 185 715</u>
19 (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/decrease in stock	-97 250	29 917
(Increase)/decrease in debtors	1 558 768	-428 513
(Increase)/decrease in deposits	6 718	3 289
(Increase)/decrease in creditors	-1 934 394	3 749 325
	<u>-466 158</u>	<u>3 354 018</u>
20 (INCREASE)/DECREASE IN LONG-TERM LOANS (EXTERNAL)		
Loans raised	0	0
Loans repaid	0	0
	<u>0</u>	<u>0</u>

RICHMOND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

	2008	2007
	R	R
21 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENT		
Investment realised	29 865 600	27 895 894
Investment made	32 599 143	33 030 164
	<u>-2 733 543</u>	<u>-5 134 270</u>
22 (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at beginning of the year	14 499	-27 528
Less: Cash balance at the end of the year	264 965	14 499
	<u>-250 466</u>	<u>-42 027</u>

Bank overdraft is purely of a technical nature, as it includes outstanding cheques in the cash book, and a transfer from call account at the bank. No overdraft facility has been arranged as it is not required.

23 CONTINGENT LIABILITY AND CONTRACTUAL OBLIGATIONS

Council provided letters of suretyship to financial institutions to assist members staff members to obtain home loans, in terms of section 111 @ of the Local Authorities Ordinance, Ord. 25 of 1974. Councils liability is limited to the amounts below:

	R	R
BV Rajoo	10 000	10 000
JP Shange	0	15 000
DA Mckinon	0	13 000
BG Kunene	12 000	12 000
Settlement figure in contractual dispute with the former Municipal Manager, Adv TJ Nene	82 500	0
	<u>104 500</u>	<u>50 000</u>

These amounts have been secured against the staff members pension/provident funds by means of written agreements which are lodged with the Kwazulu Natal Joint Municipal Pension/Provident Fund. Copies are maintained on the staff members personal files.

24 RETIREMENT BENEFIT INFORMATION

The personnel are members of the Natal Joint Municipal Pension Fund. At the date of the last interim valuation (31 March 2001), the financial condition of the fund had deteriorated further, with the past service deficit increasing to R 159,17 million.

25 CAPITAL COMMITMENTS

The Municipality currently has four housing projects in progress, namely Siyathuthuka, Zwelethu, and Patheni Housing as well as the electrification of Siyathuthuka Phase I.

Zwelethu Housing	1 931 690	0
Siyathuthuka Housing	2 898 513	3 048 581
Patheni Housing	136 129	380 800
DME/Siyathuthuka Phase I Electrification	283 700	3 226 958
	<u>5 250 031</u>	<u>6 656 339</u>

RICHMOND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2008	2007
26.1 Contributions to organised local government		
Opening balance		
Council subscriptions		
Amount paid - current year	36 231	0
Amount paid - previous year	-36 231	0
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
26.2 Audit fees		
Opening balance		
Current year audit fee	233 780	0
Amount paid - current year	-233 780	0
Amount paid - previous year		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
26.3 VAT		
Vat received for the year	<u>1 723 141</u>	<u>0</u>
VAT paid for the year	<u>113 680</u>	<u>0</u>
VAT inputs receivables and VAT outputs receivables are shown in note 10. All VAT returns have been submitted by the due date		
26.4 PAYE and UIF		
Opening balance		
Current year payroll deductions	983 599	0
Amount paid - current year	-983 599	0
Amount paid - previous year		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
26.5 Pension and Medical Aid Deductions		
Opening balance		
Current year payroll deductions and Council	1 104 395	0
Amount paid - current year	-1 104 395	0
Amount paid - previous year		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

RICHMOND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2008	2007
26.6 Councillor's arrear consumer accounts		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2008		
Councillor:	0	0
Total Councillor Arrear Consumer Accounts	<u>0</u>	<u>0</u>

26.7 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following main bank accounts:

Primary Bank Account

First National Bank Account - Richmond Branch
Account No 53565322104: Cheque Account

Bank Statement opening balance	401 511	0
Bank Statement closing balance	<u>1 163 971</u>	<u>0</u>

There are no comparative figures as the information was not available for prior years.

Cash book balance at the beginning of the year	13 300	0
Cash book balance at the end of the year	<u>263 766</u>	<u>0</u>
Petty cash and cash on hand	1 200	0
TOTAL BANK BALANCES AND CASH	<u>264 966</u>	<u>0</u>

26.8 CALL INVESTMENT DEPOSITS

32 Day Deposits (Refer to Appendix G for details of bank accounts)	<u>25 583 954</u>	<u>0</u>
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There are no comparative figures as the information was not available for prior years.

27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure of R 10,338.92 was incurred as a result of the Municipality not complying with a court order.

28 LONG TERM LIABILITIES

Annuity Loans	146 968	0
(Refer to appendix B for more detail)	<u>146 968</u>	<u>0</u>

The annuity loan is being repaid by the uMgungundlovu District Municipality as it was for the construction of the Sewerage Plant.

RICHMOND MUNICIPALITY

APPENDIX A

STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

	Balance at 30/6/2007 R	Contributions during the year R	Interest on Investments R	Other income R	Expenditure and other adjustments during the year R	Balance at 30/6/2008 R
ACCUMULATED FUNDS						
Capital Development Fund	3 934 501	319 087	222 964	22 105	0	4 498 658
Public Improvement Fund	2 664 881	0	0	1 339 400	139 400	3 864 882
	<u>6 599 382</u>	<u>319 087</u>	<u>222 964</u>	<u>1 361 505</u>	<u>139 400</u>	<u>8 363 540</u>
HOUSING OPERATING ACCOUNT						
Proceeds sale of assets	55 710	0	0	26 949	0	82 659
Loss of rental	33 125	0	0	0	0	33 125
Community facilities	57 522	0	0	0	0	57 522
Interest on investments	0	0	16 827	0	0	16 827
Appropriation account	15 285	0	0	0	0	15 285
	<u>161 641</u>	<u>0</u>	<u>16 827</u>	<u>26 949</u>	<u>0</u>	<u>205 419</u>
TRUST FUNDS						
Cemetery Trust Fund	284 469	0	0	34 363	0	318 832
	<u>284 469</u>	<u>0</u>	<u>0</u>	<u>34 363</u>	<u>0</u>	<u>318 832</u>
PROVISIONS						
Leave payments	567 410	202 093	0	0	276 927	492 576
Bad debts	287 214	0	0	0	19 382	267 832
Job evaluation	612 689	0	0	0	612 689	0
Audit fee	226 172	315 000	0	0	233 780	307 392
Bursary Fund	10 000	3 920	0	0	13 920	0
Performance bonus	64 200	0	0	0	64 200	0
	<u>1 767 683</u>	<u>521 013</u>	<u>0</u>	<u>0</u>	<u>1 220 898</u>	<u>1 067 798</u>

RICHMOND MUNICIPALITY

APPENDIX C

ANALYSIS OF FIXED ASSETS

Expenditure 2007 R	SERVICE	Budget 2008 R	Balance at 30/6/2007 R	Expenditure 2008 R	Written off transferred redeemed or disposed of during the year R	Balance at 30/6/2008 R
5 377 738	RATE AND GENERAL SERVICES	5 241 690	46 390 585	4 215 922	33 843	50 572 665
3 681 350	Community Services	3 760 999	28 546 220	2 972 184	33 843	31 484 561
4 673	Municipal Manager	0	806 978	0	0	806 978
3 386	Financial Services	364 500	76 196	117 113	0	193 309
177 527	Corporate Services	90 000	328 917	65 567	0	394 484
0	Community Services	2 000	8 626	1 920	0	10 546
42 052	Council	73 375	236 563	63 504	25 000	275 067
0	Licensing	0	1 497	0	0	1 497
299 237	Protection Services	125 000	940 884	116 824	0	1 057 708
895	Planning	0	88 694	0	0	88 694
0	Technical Services	92 375	129 486	133 981	0	263 467
38 434	Estates	715 500	3 004 055	517 541	0	3 521 596
3 115 146	Roads, pavements, kerbs	2 298 249	22 924 324	1 955 734	8 843	24 871 215
1 696 389	Subsidised Services	1 480 691	11 963 129	1 243 738	0	13 206 867
0	Cemetery	0	34 539	0	0	34 539
0	Fire Protection	0	65 614	0	0	65 614
96 299	Library	93 941	581 174	87 460	0	668 634
1 600 090	Municipal Buildings	1 386 750	11 281 802	1 156 277	0	12 438 079
0	Economic Services	0	5 881 237	0	0	5 881 237
0	Sewerage	0	0	0	0	0
0	Refuse Removal	0	5 881 237	0	0	5 881 237
2 855 660	HOUSING SERVICES	9 136 960	29 778 292	8 367 490	0	38 145 781
0	Argossy Farm	0	9 460 151	0	0	9 460 151
1 989 569	Siyathuthuka Scheme	4 500 000	19 393 008	4 179 257	0	23 572 265
271 590	Siyathuthuka Electrification	3 286 960	271 590	3 282 468	0	3 554 058
0	Siyathuthuka Phase 2	350 000	0	293 475	0	293 475
0	Zwelethu Housing	400 000	0	327 137	0	327 137
0	Inhlazuka Scheme	0	0	0	0	0
594 500	Patheni Scheme	600 000	653 542	285 153	0	938 695
44 812	PUBLIC IMPROVEMENT FUND	0	2 664 881	162 784	139 400	2 688 265
8 278 210	TOTAL FIXED ASSETS	14 378 650	78 833 757	12 746 195	173 243	91 406 710
LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS			73 028 812	12 412 071	33 843	85 407 040
	Loans redeemed and advances paid		3 202 898	459 050	8 843	3 653 105
	Contributions ex operating income		447 889	0	0	447 889
	Grants and subsidies		69 105 459	11 953 022	25 000	81 033 481
	Public contributions		57 816	0	0	57 816
	Provisions and reserves		24 633	0	0	24 633
	Endowments		0	0	0	0
	Miscellaneous		190 117	0	0	190 117
	NET FIXED ASSETS		5 804 945	334 124	139 400	5 999 670

RICHMOND MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

	Balance at 30/6/07 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/6/08 R
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EXTERNAL LOANS

ANNUITY LOANS

Rate and General Services-(DBSA)	0	146 968	0	146 968
uMgungundlovo Municipality	0	146 968	0	146 968

	Balance at 30/6/07 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/6/08 R
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**INTERNAL ADVANCES TO
BORROWING SERVICES**

Capital Development Fund: - To Rate and General	3 140 065	630 390	459 050	3 311 405
	3 140 065	630 390	459 050	3 311 405

RICHMOND MUNICIPALITY

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008

Actual 2007 R		Actual 2008 R	Budget 2008 R
	INCOME		
15 341 446	Government and Provincial grants		
3 026 627	and subsidies	18 209 972	15 625 000
1 209 120	Rates	3 144 003	3 136 000
4 135 953	Income from tariffs and service charges	2 456 410	2 449 560
	Other income	5 035 823	4 976 170
<u>23 713 146</u>		<u>28 846 209</u>	<u>26 186 730</u>
	EXPENDITURE		
10 170 953	Salaries and allowances	10 417 288	11 934 189
	General expenses		
8 694 309	- Other	13 237 640	11 541 497
814 054	Repairs and maintenance	875 280	1 292 280
667 760	Capital charges	771 338	667 760
40 892	Contribution to fixed assets	0	0
501 787	Contributions	638 007	726 000
<u>20 889 754</u>	Gross expenditure	<u>25 939 553</u>	<u>26 161 726</u>
0	Less: Amounts charges out	0	0
<u>20 889 754</u>	Net expenditure	<u>25 939 553</u>	<u>26 161 726</u>

RICHMOND MUNICIPALITY

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual income R	2007 Actual expenditure R	2006 Surplus (Deficit) R		2008 Actual income R	2008 Actual expenditure R	2008 Surplus/ (Deficit) R	2008 Budget Surplus/ (Deficit) R
23 713 146	20 889 754	2 823 392	RATE AND GENERAL SERVICES	28 846 209	25 939 553	2 906 656	25 004
23 706 129	20 515 054	3 191 075	Community Services	28 833 522	25 489 583	3 343 939	538 644
3 026 627	0	3 026 627	Assessment rates	3 144 003	0	3 144 003	3 136 000
28 872	855 014	-826 142	Municipal Manager	0	878 803	-878 803	-965 227
812 470	2 125 012	-1 312 542	Corporate Services	128 171	1 391 587	-1 263 416	-1 520 080
12 098 363	2 278 765	9 819 598	Financial Services	11 471 380	2 866 875	8 604 505	7 414 930
0	446 274	-446 274	Community Services	0	458 239	-458 239	-517 720
114 443	474 080	-359 637	Buildings	92 303	410 649	-318 346	-406 066
985 285	2 743 761	-1 758 476	Councils General expenses	564 000	2 671 709	-2 107 709	-2 306 174
625 777	502 821	122 956	MPCC Inhlazuka	163 150	340 246	-177 096	-215 580
10 997	177 674	-166 677	MPCC Hopewell	9 704	162 015	-152 311	-199 080
0	4 000	-4 000	Smozomeni & Magoda Hall	1 026	62 696	-61 669	-74 835
			Indaleni	1 539	947	592	-6 500
37 518	32 504	5 014	Cemetery	48 732	19 834	28 898	-32 723
659 542	1 407 543	-748 001	Estates	865 567	1 062 022	-196 455	-378 139
2 038 302	3 042 271	-1 003 969	Technical Services	7 243 570	8 396 910	-1 153 340	-1 277 840
0	403 469	-403 469	Street Cleaning	0	341 373	-341 373	-419 490
1 951 244	1 682 531	268 713	Refuse	3 774 143	2 246 485	1 527 658	1 462 212
0	1 308 177	-1 308 177	Roads	0	1 588 352	-1 588 352	-1 746 840
628 813	628 813	0	Town Planning	206 408	270 312	-63 904	-124 761
687 877	2 402 345	-1 714 468	Protection Services	1 119 825	2 320 528	-1 200 703	-1 283 442
7 016	374 700	-367 684	Subsidised Services	12 687	449 971	-437 283	-513 640
0	0	0	Fire Protection	0	0	0	0
7 016	374 700	-367 684	Library	12 687	449 971	-437 283	-513 640
0	0	0	Museum	0	0	0	0
<u>23 713 146</u>	<u>20 889 754</u>	<u>2 823 392</u>	TOTAL	<u>28 846 209</u>	<u>25 939 553</u>	<u>2 906 656</u>	<u>25 004</u>
		-77 381	Appropriations for this year			1 673 756	
		2 746 011	Net surplus/(deficit) for the year			4 580 412	
		6 038 149	Accumulated surplus beginning of the year			8 784 160	
		<u>8 784 160</u>	ACCUMULATED SURPLUS END OF THE YEAR			<u>13 364 572</u>	

RICHMOND MUNICIPALITY

APPENDIX F

**STATISTICAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
1 GENERAL STATISTICS		
a) Population		
All race groups	63 222	63 222
b) Valuation of properties		
Rateable	8 603 000	8 611 500
Non Rateable	2 266 600	2 259 100
c) Valuation in zoning of properties		
Residential	4 697 300	4 921 500
Other	5 678 700	5 450 700
State	493 400	493 400
d) Number of properties		
Proclaimed even as at 30 June 2007	1 007	1 007
e) Assessment Rates : cent in rand		
Land	45.02	43.29
f) Number of employees	92	86
2 SUNDRY STATISTICS		
a) Area (square km)	2025	2025
b) Number of registered voters	24 554	24 554
c) Fire service unit	1	1
d) Building survey		
(i) Number of plans passed	24	28
(ii) Value of plans passed		26 899 000
e) Parks and recreation		
(i) Number of developed parks	1	nil
(ii) Nature reserve	nil	nil
(iii) Number of swimming pools	nil	nil
(iv) Number of sportfields	6	5
f) Licences issued - vehicle registrations	177	4 800
g) Library books issued	20 041	19 555

RICHMOND MUNICIPALITY

**STATISTICAL INFORMATION (continued)
FOR THE YEAR ENDED 30 JUNE 2008**

2 SUNDRY STATISTICS	2008	2007
h) Cleansing - refuse removed and dumped (cubic metres)	4380	4284
i) Roads - kilometres roads repaired/constructed	20km	166km
j) Housing-		
(i) Number of houses rented	0	0
(ii) Number of housing loans	1	1
(iii) Number of low cost housing units built	2 390	1 800

RICHMOND MUNICIPALITY

APPENDIX G

**ADDITIONAL DETAILS OF CALL INVESTMENT DEPOSIT ACCOUNTS AS PER NOTE 26.8
FOR THE YEAR ENDED 30 JUNE 2008**

26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2008	2007
26.8 CALL INVESTMENT DEPOSITS		
26.8.1 Call Account		
First National Bank Account - Richmond Account no. 61356002695: Call Account		
Bank Statement opening balance	7 057 883	0
Bank Statement closing balance	<u>12 661 562</u>	<u>0</u>
26.8.2 Waste Minimisation Project Account		
First National Bank Account - Richmond Account no.74092537347 : 32day Call Account		
Bank Statement opening balance	48 135	0
Bank Statement closing balance	<u>52 217</u>	<u>0</u>
26.8.3 Siyathuthuka Call Account		
First National Bank Account - Richmond Account no.62069911545 : Call Account		
Bank Statement opening balance	2 634 143	0
Bank Statement closing balance	<u>782 522</u>	<u>0</u>
26.8.4 Patheni Housing Account		
First National Bank Account - Richmond Account no.62117170407 : Call Account		
Bank Statement opening balance	459 328	0
Bank Statement closing balance	<u>408 884</u>	<u>0</u>
26.8.5 Housing Operating Account		
First National Bank Account - Richmond Account no.62134473280 : Call Account		
Bank Statement opening balance	163 368	0
Bank Statement closing balance	<u>176 469</u>	<u>0</u>
26.8.6 Zwelethu Housing Account		
First National Bank Account - Richmond Account no.62155682844: Call Account		
Bank Statement opening balance	0	0
Bank Statement closing balance	<u>1 931 689</u>	<u>0</u>

There are no comparative figures as the information was not available for prior years.

RICHMOND MUNICIPALITY

APPENDIX G (continued)

**ADDITIONAL DETAILS OF CALL INVESTMENT DEPOSIT ACCOUNTS AS PER NOTE 26.8
FOR THE YEAR ENDED 30 JUNE 2008**

26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2008	2007
26.8 CALL INVESTMENT DEPOSITS		
26.8.7 Gijima Funding Account		
First National Bank Account - Richmond		
Account no. 62155684882: Call Account		
Bank Statement opening balance	<u>0</u>	<u>0</u>
Bank Statement closing balance	<u>26 418</u>	<u>0</u>
26.8.8 Siyathuthuka Housing Phase 2 Account		
First National Bank Account - Richmond		
Account no.62176174383 : 32day Call Account		
Bank Statement opening balance	<u>0</u>	<u>0</u>
Bank Statement closing balance	<u>2 898 513</u>	<u>0</u>
26.8.9 FBS & FBE Account		
ABSA : Durban		
Account no.2066719815 : 32day Call Account		
Bank Statement opening balance	<u>3 246 753</u>	<u>0</u>
Bank Statement closing balance	<u>3 278 448</u>	<u>0</u>
26.8.4 Grants Call Account		
ABSA : Durban		
Account no.2066719823 :32day Call Account		
Bank Statement opening balance	<u>6 777 711</u>	<u>0</u>
Bank Statement closing balance	<u>3 146 420</u>	<u>0</u>
26.8.5 Capacity Building Account		
Standard Bank : Pietermaritzburg		
Account no.258544805 :32day Call Account		
Bank Statement opening balance	<u>218 544</u>	<u>0</u>
Bank Statement closing balance	<u>218 544</u>	<u>0</u>

There are no comparative figures as the information was not available for prior years.